



*Directorate of
Intelligence*

~~Secret~~
~~NO CONTRACT~~

FIW

Seizing the Day: Iran's Response to the Persian Gulf Crisis (U)

An Intelligence Assessment

APPROVED FOR RELEASE

NOV 1999

~~Secret~~

November 1990

1.5(c)(d)
1.6(d)(4)(6)

Warning Notice

Intelligence Sources
or Methods Involved
(WNINTEL)

National Security
Information

Unauthorized Disclosure
Subject to Criminal Sanctions

Dissemination Control
Abbreviations

NOFORN (NF)

Not releasable to foreign nationals

NOCONTRACT (NC)

Not releasable to contractors or contractor/consultants

PROPIN (PR)

Contains proprietary information involved

ORCON (OC)

Information and extraction of information
controlled by originator

REL...

This information has been authorized for release to...

WN

WNINTEL—Intelligence sources or methods involved

A microfiche copy of this document is available from OADR/
DLB (703-487-1000) or printed
copies from CPAS/IMC
(703-487-1000) or secure
3-377 (703-487-1000) request to
use (SIMC). Regular re-
ports can be ar-
ranged through CPAS/IMC.

Classified by 0394257
Declassify: OADR
Derived from multiple sources

All material on this page
is Unclassified.



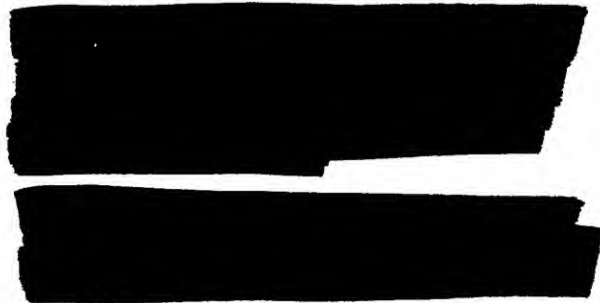
*Directorate of
Intelligence*

~~Secret~~

~~NO CONTRACT-
ION~~

Seizing the Day: Iran's Response to the Persian Gulf Crisis (U)

An Intelligence Assessment



1.5(c)(d)
1.6(d)(i)(b)

Reverse Blank

~~Secret~~

~~November 1990~~

~~SECRET~~

Seizing the Day: Iran's Response to the Persian Gulf Crisis (U)

Key Judgments

*Information available
as of 19 November 1990
was used in this report.*

The Islamic leaders of Iran probably see the Gulf crisis as an opportunity to regain what they regard as Iran's traditional position of primacy in the Persian Gulf. As the crisis unfolds, Iran will probably try to maximize its gains through a policy of calculated ambiguity aimed at extracting concessions from both Iraq and the international coalition opposing it. Tehran desires the weakening or ultimate destruction of Saddam Husayn's regime and the withdrawal of all foreign forces from the region, leaving Iran the preeminent political and military power in the Persian Gulf. (S, MP)

The crisis has clearly benefited Iran. Higher oil prices mean Iran earns about \$1 billion in unanticipated revenue for every month its oil remains at \$30 per barrel. Saddam's need to remove the potential threat from Iran has prompted him to withdraw his forces from Iranian territory and implicitly to accept the validity of the 1975 Algiers accord—essentially giving Iran much of what it could not protect in eight years on the battlefield. In addition, Tehran has exploited international revulsion with Iraq to expand its relations with the Arab Gulf states and Western Europe. These developments have boosted President Rafsanjani at home and may allow him to consolidate his domestic political position. (S, MP)

To consolidate these gains over the long term, Tehran will have to balance its desire for near-term benefits with efforts to prevent the emergence of a victorious Iraq or a prolonged US presence in the Gulf. Iran fears the prospect of Iraqi regional dominance, but its profound distrust of US intentions makes it uncomfortable with the deployment of US forces to Saudi Arabia. President Rafsanjani's current policy is to criticize the deployment of US forces but to tolerate their presence as long as they are aimed at Iraq and quickly withdrawn upon resolution of the crisis. At the same time, Tehran is keeping its lines open to Baghdad in pursuit of a formal peace agreement with Iraq on Iranian terms. (S, MP)

If Iran is forced to choose between massive assistance to Iraq or support to the coalition opposing it, Tehran would probably choose the international community. To produce movement in the peace negotiations with Iraq, the Iranian Government is tacitly encouraging a gradually expanding illicit trade with Iraq in food, medicine, and other goods by private entrepreneurs. Food—livestock and rice in particular—is reaching Iraq from Iran, but no massive violations of international sanctions, such as reexporting Iraqi oil, have occurred. (S, MP)

Although unlikely, changes in the course of the Gulf crisis could cause Iran to support Iraq. Events that threaten to undermine the ideological legitimacy of Iran's clerical regime [REDACTED]

[REDACTED] or that increase Iranian suspicion of US intentions [REDACTED]

[REDACTED] could cause Iran to make such a change. Even in these instances, Iran is not likely to engage in hostilities on Iraq's side. Instead, Tehran probably would more actively assist Iraq to evade sanctions as a means of forcing the West to adjust its policy to suit Iran. [REDACTED]

1.5(C)(4)
1.6(A)(X)(6)

[REDACTED]

crisis. (S/NF)

Contents

	Page
Key Judgments	iii
Iran's Windfall	1
Diplomatic Opportunities	1
Financial Bonanza	2
Domestic Political Impact	2
Threats to Iran	4
The Danger of Expanding War in the Gulf	4
Perceived Threat of an Expanded US Presence	4
Strategic Threat of a Victorious Iraq	4
Iran's Response	4
Policies Toward Key Players	6
Iraq	6
The Gulf Cooperation Council	9
The Western Coalition	10
[REDACTED]	11
Outlook	11
[REDACTED]	13
Saddam Withdraws From Kuwait, but His Political and Military Power Remains Intact	13
Protracted Stalemate or Western Containment of Iraq	14
Saddam Wins	14
[REDACTED]	15
[REDACTED]	15
[REDACTED]	16

1.5(c)(d)
1.6(d)(i)(k)



Unclassified

1.5(2)(d)
1.6(2)(d)(6)

Secret

Seizing the Day: Iran's Response to the Persian Gulf Crisis (U)

The Iraqi invasion of Kuwait came at a time when Tehran sorely needed a diplomatic and financial boost. On the eve of the crisis Iran was trying to recover from a decade of war and revolution. The eight-year war with Iraq killed an estimated 325,000 Iranians and cost Iran more than \$160 billion. Years of mismanagement and neglect had eroded the social and economic infrastructure even as greater demands were being put on it by a population growing at the rate of 1 million persons every seven months. By 1990 most Iranians were weary of continued economic austerity and impatient for an improved standard of living. (S, F)

President Rafsanjani came to office in 1989 promising to alleviate these problems, but he made only slow progress. Efforts to attract foreign investment to Iran were hampered by Western diplomatic and economic sanctions and by domestic opposition from hardline revolutionaries. Falling oil revenues threatened to undermine Rafsanjani's plans for reconstruction. Even peace with Iraq was elusive because Baghdad's victories in the last year of the war gave it little incentive to negotiate on Iranian terms. (S, F)

The immediate aftermath of the invasion of Kuwait has presented Rafsanjani with an opportunity to strengthen his domestic position and advance toward longstanding goals. Whether Rafsanjani will turn these opportunities into permanent gains for Iran depends on the evolution of the crisis. Rafsanjani will have to maintain a flexible policy in order to successfully balance Iran's near-term interests with its long-term aspirations while maintaining his domestic support. (S, F)

Iran's Windfall

The Persian Gulf crisis has both accelerated the pace of political change in Iran and slowed the deterioration of the economy. It has provided Rafsanjani with an opening to achieve quickly—or with little cost—goals that before the crisis seemed attainable only by gradual effort and lengthy negotiation. Higher oil

revenues may allow him to relieve consumer shortages and promote reconstruction, goals that only recently seemed out of reach. (S, F)

Diplomatic Opportunities. The international campaign to isolate Iraq has highlighted the importance of Iran as a link—or potential hole—in the cordon around Iraq. Public statements by Iranian leaders show that they recognize this advantage, and Rafsanjani is trying to exploit the crisis to achieve longstanding diplomatic goals at the lowest possible cost. The Arab Gulf states, which had preferred to keep Iran at arm's length, have been more willing to cooperate with Tehran on political, economic, and even security issues since the Iraqi invasion of Kuwait. Also, after August, Tehran's death edict against British author Salman Rushdie became less of an obstacle to Iran's effort to expand relations with the European Community than it had been before the crisis. (S, F)

The most dramatic result of Iran's enhanced importance was Saddam Husayn's peace offer of 15 August. Since Iran's reluctant acceptance of the UN-sponsored cease-fire with Iraq in 1988—which the late Ayatollah Khomeini compared to "drinking poison"—Iran had made little progress in negotiating an acceptable peace agreement with Iraq. Secret talks begun in the spring of 1990 had achieved no concrete results. Saddam's announcement two weeks after the invasion of Kuwait that Iraq would withdraw from Iranian territory, as well as his implied acceptance of the 1975 Algiers accord, essentially gave Iran what it had been unable to protect on the battlefield or by negotiation, allowing Tehran to portray itself as the final victor. (S, F)

¹ The Algiers accord was signed between the former Iranian imperial regime and Saddam Husayn in 1975. It established the border between Iran and Iraq at the midpoint of the Shatt al Arab waterway—a concession by Iraq, which for years had claimed control over the entire river—and in return Iran ceased its support for Kurdish insurgents who were threatening to destabilize the Iraqi regime. Saddam abrogated the accord upon his invasion of Iran in 1980, and since then the restoration of this treaty has been an important goal of Iranian policy. (S, F)

Of perhaps equal satisfaction to Tehran is its eclipse by Iraq as the perceived main threat to regional stability. Iranian leaders have smugly suggested in their public comments that Saddam would not have dared invade Kuwait had the international community resolutely opposed his invasion of Iran in 1980. Tehran similarly argues that the failure of exclusively Arab regional organizations—such as the Gulf Cooperation Council—to prevent Iraqi aggression underscores the need to replace Arab nationalism with Muslim solidarity, which would include Iran but not the West, as an organizing principle for regional security. (S/NF)

Over the long term, we believe Rafsanjani sees an opportunity to build on these temporary advantages to shed Iran's pariah status in the international community. Rafsanjani has sought to portray Tehran's support for UN resolutions against Iraq as evidence of its "responsible" and "principled" position. If Tehran can continue to demonstrate "responsibility" after the crisis, Rafsanjani may be able to turn Iran's temporary cooperation with the Gulf Arabs and Western Europe into a more durable relationship. (S/NF)

Financial Bonanza. The jump in oil prices resulting from the Gulf crisis is giving Iran an enormous, desperately needed financial boost. The price of Iranian oil has skyrocketed, as compared with the low levels of late June 1990, and states that embargoed Iraqi and Kuwaiti crude oil are turning to alternative suppliers, including Iran, to meet their energy needs. We estimate that, at current production levels, Iran will earn \$1 billion in unanticipated revenues every month the price of its oil remains at \$30 per barrel. Every additional \$1 increase in the barrel price adds another \$70 million to monthly revenues. We estimate total monthly earnings now top \$2 billion, a doubling of Iran's monthly average for 1989. Fundamental production constraints limit Iran's ability to sustain during the next year an increase of an additional 100,000 barrels per day beyond its current output of 3.2 million barrels per day. Even this modest expansion would generate another \$90 million each month at current price levels. In addition to revenue boosts resulting from higher oil prices, Iran will probably earn at least \$500 million from selling existing oil

stocks. [REDACTED] Iranian oil stocks in June amounted to at least 50 million barrels, much of it stored in Rotterdam. (S/NF)

The oil earnings windfall could not have been more timely for Rafsanjani. In June 1990 oil prices were the lowest in four years and Iranian revenues were slipping below levels needed to finance reconstruction. That same month a massive earthquake struck northern Iran, leaving hundreds of thousands homeless and in need of government assistance. Although not a panacea, surging oil revenues will allow Rafsanjani to increase consumer imports and push forward on major reconstruction projects without resorting to controversial foreign loans that are anathema to his radical opponents. This unanticipated income also gives Rafsanjani the flexibility to meet unanticipated economic challenges, such as that posed by another earthquake in November that left 12,000 homeless in southern Iran. Iran still faces daunting long-term economic problems—population growth of at least 3.2 percent per year is among the most intractable—but at a minimum the economic effects of the Gulf crisis have given Rafsanjani a chance to address these problems and strengthen his control over domestic policy. (S/NF)

Domestic Political Impact. The combined diplomatic and economic benefits of the Gulf crisis give Rafsanjani the opportunity to consolidate—perhaps decisively—his domestic political position. Saddam's peace overtures—widely portrayed as an Iranian victory in the Tehran press—have vindicated Rafsanjani's precrisis willingness to open direct talks with the Iraqis, a policy criticized at the time by his hardline opponents. [REDACTED]

[REDACTED] the general public reaction to Saddam's offer was exuberant, although soon tempered by suspicion over his motives. (S/NF)

1.5(c)(d)
1.6(d)(1)(6)

[REDACTED] Rafsanjani is gaining power. [REDACTED]

[REDACTED] (Secret, NE, NOC)

[REDACTED]

[REDACTED] the Iraqi peace initiative would greatly strengthen Rafsanjani's hand in dealing with Iran's various factions.

[REDACTED] Rafsanjani has seized this opening to advance his agenda and circumscribe the power of the hardline revolutionaries:

- Rafsanjani largely defied radical opinion when he restored relations with the United Kingdom in September, circumventing conditions for rapprochement set by the Iranian legislature.

- [REDACTED]
- The regime has been far more willing than before to cancel or restrict demonstrations organized by radical elements—while allowing progovernment demonstrations—according to [REDACTED] press reporting.

Confidential NOFORN

- In October, Rafsanjani and Supreme Leader Khamenei skillfully manipulated eligibility requirements to exclude many hardline clerics [REDACTED] from election to the Assembly of Experts, which is empowered to select, monitor, and remove the Supreme Leader of the Revolution.

[REDACTED] rumors that Rafsanjani will soon remove from his Cabinet the remaining proponents of state control of the economy—thus weakening a favored policy of the radicals. Such rumors may reflect a general perception that Rafsanjani's strength is growing.

**BEST COPY
AVAILABLE**

We believe it is too soon to write off Rafsanjani's radical enemies such as legislator and former Interior Minister Mohtashemi-Pur. They will remain the strongest legal opposition to the government and could regain influence if Rafsanjani slips, the economy takes a nosedive, or the crisis weakens Rafsanjani. For now, however, Rafsanjani is clearly the winner. (S)(F)

Threats to Iran

The news is not all good for Tehran. Iranian leaders believe Iraq's actions could eventually embroil Iran more directly in a volatile political and military crisis affecting its vital interests at a time when Rafsanjani was seeking to reduce confrontation with its neighbors and focus on domestic priorities. Over the long term, the potential outcomes of the crisis—which for the most part Iran can affect only indirectly—may pose serious threats to Iranian security and ambitions. (S)(F)

The Danger of Expanding War in the Gulf. The Iranians are not displeased with the prospect of bloodshed between the United States and Iraq, but the size and capabilities of the forces involved as well as the inherent uncertainties of war temper their enthusiasm.

[REDACTED]

[REDACTED] the perceived danger that the belligerents in the Gulf could subject Iran to either accidental or calculated attacks will continue to color Iranian policy. (S)(F)

Tehran's military weakness fuels its concern. Its armed forces have not much recovered from their defeats in the final year of the war with Iraq. Until the recent oil price windfall, Tehran had focused its limited resources on civilian reconstruction rather than rearming. Its frontline ground forces remain

disorganized, poorly trained, and underarmed. Iranian air and naval forces also are in poor shape, although [REDACTED] press reporting indicate Iran has taken delivery of new Soviet equipment that will give a needed boost to Iran's air defenses. We judge Iran could not mount a credible ground defense—much less an offensive threat—against Iraq before 1993 at the earliest. (S)(F)

Perceived Threat of an Expanded US Presence. Tehran worries that, even if war is averted or leaves Iran untouched, a victorious United States may convert some or all of its expeditionary forces into a permanent military presence in the Gulf. In August, Deputy Foreign Minister Besharati—not normally associated with hardline views—suggested in a newspaper article that the United States had precipitated the Iraqi invasion of Kuwait to supply a pretext for occupying the southern Persian Gulf. An increased US military presence in the region would run counter to Iran's longstanding goal of eliminating foreign influence in the Gulf and reduce Tehran's value as a counterweight to Baghdad. Seen from Tehran, a clear-cut US victory would at best make Iran's role in the Gulf irrelevant and at worst would facilitate increased US pressure on Iran. (S)(F)

Strategic Threat of a Victorious Iraq. At the same time, Iran fears that failure to reverse Iraq's annexation of Kuwait would leave Iran in a difficult strategic position in the Gulf. Iran could not easily or cheaply compete with the combined military and economic power of Iraq and occupied Kuwait. [REDACTED]

[REDACTED] Iranian leaders worry that, once Saddam has consolidated his conquest of Kuwait, he may again turn on Iran. [REDACTED]

(S)(F)

Iran's Response

President Rafsanjani has crafted a policy that emphasizes flexibility and deception, tactics that are consistent with the ambivalence Iranian leaders feel regarding whether Iraq or the United States poses the greater danger. Within this pattern of flexibility are evident several consistent themes. (S)(F)

1.5(c)(d)
1.6(d)(1)(6)

Iran's Rearmament Program: A Day Late and a Dollar Short

In the last year of the war with Iraq, Iran's ability to pose a credible offensive military threat to Baghdad was virtually eliminated. Probably because of economic constraints, Tehran waited until the summer of 1990—two years after the cease-fire with Iraq—before rearming itself in earnest. It will take several years for Iranian forces to absorb new equipment, some of which has not yet been delivered.

Iran's procurement of conventional arms declined noticeably after the cease-fire with Iraq in August 1988. Tehran's pace may have reflected a desire to choose its military suppliers more carefully, as well as an attempt to entice potential exporters to provide more advanced weaponry at lower prices. This year Tehran concluded an important arms deal with Moscow. In September, Iran displayed newly acquired MiG-29 aircraft during a parade.

[REDACTED]. In October, Defense Minister Torkan made an unprecedented visit to Beijing, where [REDACTED] he probably signed a broad spectrum of arms agreements. [REDACTED] procurement of M-9 surface-to-surface missiles and F-7 aircraft, as well as tank coproduction, are among the deals Torkan could have concluded with the Chinese. In our judgment, it will be months, if not years, before the Iranians can train their personnel on the new equipment and incorporate it into their force structure. (S, [REDACTED])

Tehran's efforts to procure unconventional weapons did not slacken after the cease-fire. [REDACTED]

[REDACTED]
Tehran probably believes Iraqi use of chemical weapons was an important factor in determining the outcome of the war and has decided that reaching parity with Iraq in such weapons is a top priority.

Iran has made little progress in improving the command structure, administration, and organization of its military establishment. The merger in 1989 of the Ministries of Defense and the Revolutionary Guard—touted as a major step toward integration—appears to have involved only minor changes in the administration of the logistic support provided the armed forces and to have had slight impact on serious interservice antagonisms. Training practices require a major overhaul—there is little combined arms training with the Air Force—and the logistic system is in desperate need of reform. (S, [REDACTED]) 1.5(c)(1)(d) 1.6(d)(1)(b)

Iran faces a difficult task in rebuilding its military, and, unless it quickens the pace of rearmament considerably—or the Iraqi military machine is destroyed in combat with US-led forces—Iran will remain militarily inferior to Iraq well into the 1990s.

[REDACTED] we estimate that Tehran will require a minimum investment of \$4.5 billion and an additional two years to rebuild its forces sufficiently to pose a credible defense against Iraq. [REDACTED]

Tehran hopes to capitalize on the Gulf crisis to regain what it claims is its traditional primacy in the Persian Gulf. [REDACTED] the importance of Iran as the only country in the region capable of standing up to Iraq and maintaining the regional balance of power is "standard Iranian thinking." Tehran insists this role be recognized by other

countries. [REDACTED]

[REDACTED]
[REDACTED] this ambiguity and deception are a conscious policy calculated to enhance Iran's role in the region and extract concessions from all parties to the conflict. [REDACTED]
[REDACTED]

Policies Toward Key Players

Tehran's balancing act has produced a much more active dialogue with the parties to the confrontation than Rafsanjani's gradual and cautious efforts had produced before the Iraqi invasion. These discussions focus principally on the Gulf crisis and the attempts by Iraq and its opponents to gain allies, but Tehran almost certainly seeks to establish more permanent relationships out of some of them. (S)(F)

1.5(c)(4)
1.6(d)(2)(C)

Iran's official statements

[REDACTED] suggest that Iran's bid for Gulf primacy is guided by three objectives:

- *The reversal of the Iraqi annexation of Kuwait and the weakening of Iraqi power.* Iran has consistently opposed the Iraqi annexation of Kuwait, and, although [REDACTED] some Iranian officials fear the chaos that would follow Saddam's removal, we believe the Iranian leadership would welcome the crippling of Iraqi power.
- *Early US withdrawal from the Persian Gulf.* Supreme Leader Khamenei has called for a holy war against US interests if the United States attempts to seize permanent control of the Gulf, although Rafsanjani has implied publicly that Iran will tolerate a temporary US presence provided troops withdraw after the crisis.
- *Any regional settlement of the crisis must accommodate Iranian interests.* Even before the crisis, Iran maintained that Gulf security required that Iran be included in regional security arrangements.

[REDACTED] Iran must be a part of any lasting solution to the crisis. (S)(F)

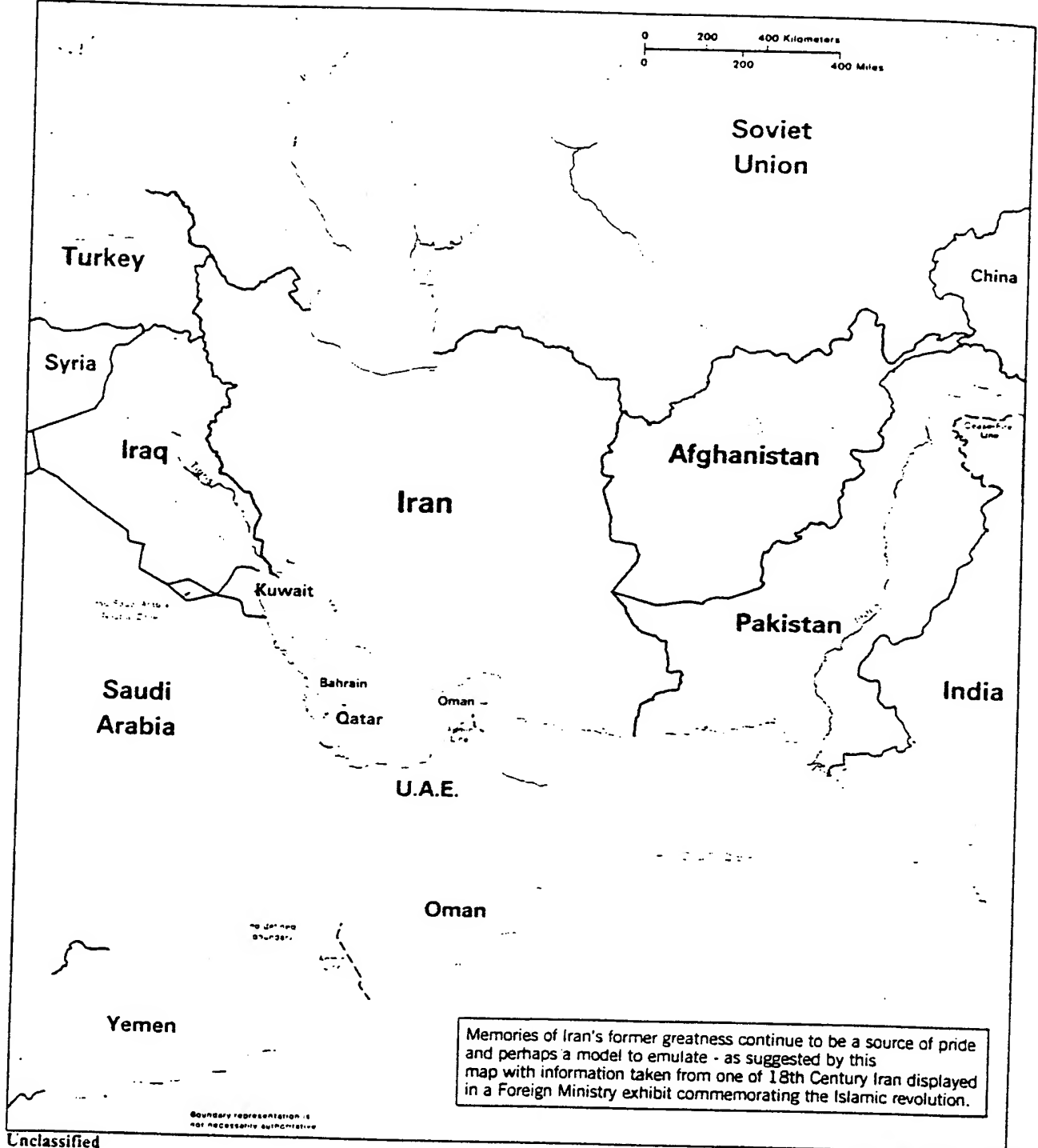
In pursuit of its objectives, Iran has adopted a policy of playing Iraq against its opponents. We believe this policy in part reflects Tehran's efforts to hedge its bets and preserve its freedom of action. [REDACTED]

Iraq. Iranian policy appears most equivocal toward Iraq. Tehran's immediate goal is to reach a peace agreement with Iraq based on UN Resolution 598 and the 1975 Algiers accord, thus strengthening its political and strategic position vis-a-vis Iraq. At the same time, Tehran wants to join the international consensus against the Iraqi invasion of Kuwait. As a consequence, Tehran, with some success, has tried to separate the peace negotiations with Baghdad from its policy toward Kuwait. [REDACTED]

Iran's most important lever is its potential to help Iraq evade sanctions. Tehran has repeatedly announced its support for UN sanctions against Iraq. [REDACTED]

[REDACTED] however, Iran is not enforcing the embargo on food and medicine, almost certainly to avoid jeopardizing negotiations with Baghdad:

Figure 3
Greater Iran



Unclassified

1.5(c)(d)
1.6(d)(i)(6)

medicine. [REDACTED]

[REDACTED]

- September some Iranian foodstuffs—especially rice—were appearing on the shelves of Iraqi stores.

[REDACTED] Iran was supplying Iraq with foodstuffs as a matter of policy to gain Iraqi acceptance of Iranian demands in bilateral peace talks. (S) [REDACTED]

[REDACTED]

ing private smuggling. [REDACTED]
Tehran

however, may be tempted to violate sanctions by sending small amounts of key nonmilitary items if it believed doing so would secure a satisfactory peace agreement with Baghdad. (S) (WN)

Although Tehran is unlikely to risk its political opening to the West to assist Saddam more actively by buying Iraqi oil or shipping large quantities of strategic goods, it will dangle the prospect of trade to obtain concessions. At peace talks in Tehran in September, which included the Iraqi Oil Minister, Iraqi Foreign Minister Aziz proposed supplying oil to Iran, possibly as "war reparations," in return for food and

██████████ a final peace agreement must include
Iraq's formal reaffirmation of the validity of the
Algiers accord. ██████████

of October, Iran refused to release some 30,000 Iraqi prisoners of war until Baghdad accounted for some 10,000 Iranian captives that Iran claims—but Baghdad denies—are still in Iraqi hands. After Foreign Minister Velayati visited Baghdad in November, Tehran agreed to begin releasing 200 Iraqi prisoners a day, but the Iranians could halt this flow at any time to put additional pressure on Saddam. The initiative appears to be with Iran. In October the Iraqis complained that Iran was "dragging its feet" in the negotiations. [REDACTED] and Velayati's subsequent visit to Iraq does not seem to have moved the process much further along. (S)

1.5(c)(d)
1.6(d)(1)(b)

Figure 4. Repatriation of most Iranian prisoners of war is one of the important concessions Iran has obtained from Iraq. Some of these returning Iranian prisoners have discarded their prison clothing as a gesture of contempt for Iraq.



The Gulf Cooperation Council. The Gulf crisis has allowed Rafsanjani to make rapid progress toward a key foreign policy goal—improvement of relations with the Gulf Cooperation Council including Saudi Arabia. In October 1989, Tehran sponsored an international conference on the Persian Gulf that stressed the necessity for cooperation between Iran and the members of the Council in the economic, political, and security spheres, but little progress had been made. Within a week of Iraq's occupation of Kuwait, Iranian Foreign Minister Velayati visited Oman, the United Arab Emirates, Bahrain, and Qatar to discuss

cooperation between Iran and the Council. In September 1990, Rafsanjani received the exiled Kuwaiti Foreign Minister, and Foreign Minister Velayati met with his Saudi counterpart at the United Nations.

The Bahraini Foreign Minister visited Tehran in 15(2X1) October, which led to a restoration of full relations 1.4(4X0/6) the following month. Also at the United Nations, Velayati was host to a meeting of all the Gulf Arab foreign ministers and discussed collective security in the Gulf.

Two weeks later, the Secretary General of the Gulf Cooperation Council publicly stated that the region's security problem had shifted from containment of Iran to containment of Iraq.

The strategic rationale for cooperation probably will overcome—at least temporarily—the ideological and religious enmity dividing Tehran and Riyadh. Both Saudi and Iranian media have highlighted each country's interest in restoring diplomatic relations and resolving the longstanding dispute over Iranian participation in the annual Muslim pilgrimage to Mecca.

**BEST COPY
AVAILABLE**

Iran's Shia Muslim Assets in the Iraqi Opposition

Saddam Husayn's regime is dominated by Sunni Muslims, but approximately 60 percent of the Iraqi population is Shia. Tehran has long viewed this politically disadvantaged majority as a potential pool of support, but Iran's efforts to stimulate Shia unrest during the war with Iraq failed. Nonetheless,

Iran hopes to use its current bargaining leverage with Saddam to force him to end repression of the Shias, and this may indicate Tehran still views the Iraqi Shias as an avenue for expanding Iranian influence.

Iran's main client organization of Iraqi dissidents is the Supreme Assembly of the Islamic Revolution in Iraq. Created by Iran in 1982 to coordinate Shia opposition to Iraq, the assembly is an umbrella organization for most Shia and Kurdish dissident groups. It is based in Iran and headed by Sayyid Muhammad Baqr al-Hakim, an Iraqi Shia cleric of Iranian descent.

Following the Iraqi invasion of Kuwait, the Iranian media have publicized statements by Hakim critical of Iraq.

(S, NENE OC)

1.5(2)(d)
1.6(2)(i)(6)

To make further progress, however, Rafsanjani and King Fahd will have to invest considerable political capital to reach a compromise on the contentious issue of Iranian participation in the hajj. Velayati's meeting with the Saudi Foreign Minister while US troops were deploying in the kingdom suggests that Rafsanjani can surmount domestic opposition to renewed relations with Saudi Arabia. If so, Tehran will have largely achieved its goal of forging important new relationships in the region. (S, NF)

The Western Coalition. Rafsanjani has accelerated his cautious policy of improving relations with the West, especially the West Europeans. Iran's chief

objective in this regard was the lifting of all European Community sanctions placed on Iran and the consequent expansion of relations, especially commercial ties. Although Iranian rhetoric has been critical of Western support for Iraq during its war with Iran,

(S, NF)

Secret

By capitalizing on its newfound importance to the West, Iran achieved most of what it wanted from the European Community with few concessions. In September, London and Tehran restored relations without the Iranians publicly committing themselves to lift Khomeini's death edict against British author Salman Rushdie. On 22 October the EC voted to lift its ban on high-level contacts with Iranian officials. Two days after the vote, an Iranian exile was assassinated in Paris—almost certainly by Iranian operatives—an act that suggests Tehran is confident enough of Western Europe's interest in good relations with Iran that it does not feel constrained to moderate its objectionable behavior. (S)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Outlook

We believe Tehran does not feel it necessary to support unequivocally either side in the Persian Gulf crisis. Because this has worked well so far, we expect the Iranians will try to maintain their balancing act as long as possible, extracting from Iraq, the Gulf states, and the West what additional benefits they can. In particular, Tehran almost certainly will avoid jeopardizing its peace negotiations with Baghdad, at least as long as the standoff in the Gulf persists. Consequently, Iran probably will continue to allow trade with Iraq in food and medicine—which Tehran can argue is humanitarian aid—as long as Iranian leaders believe such action will help secure a formal peace agreement with Baghdad. (S)

Regardless of Iran's desire to keep its peace talks with Iraq separate from the issue of Kuwait, at some point Baghdad probably will insist on linking a final peace agreement with a sustained Iranian effort to help Iraq evade UN sanctions, particularly with regard to exporting oil. If forced to choose between open support

*Impact of the Gulf Crisis on Western
Hostages in Lebanon*

[REDACTED]

(S, NF)

[REDACTED]

(S, NF)

[REDACTED]

1.5(2)(d)
1.5(1)(1)(5)

(S, NF)

for Iraq and the coalition opposing it, Iran probably would align with the international community. We believe Iran would not want to sacrifice the gains it has made with the Gulf states and Western Europe for the uncertain benefits of peace with Saddam, especially given his past abrogation of the Algiers accord and his invasion of Iran. Moreover, Tehran has no interest in helping to establish Iraq as the dominant power in the Gulf. Should Iran be forced to withdraw from the peace talks to demonstrate its support to the coalition, Tehran will be certain to

demand compensation from the West, citing the precedent of international aid given Egypt and Turkey for confronting Iraq. (S, NF)

Iran's sensitivity over the deployment of US forces to the Persian Gulf reflects not only its suspicion of US intentions but also its respect for US capabilities. Iran has in the past sought to avoid the engagement of US

Secret

~~Secret~~

military power in its disputes with the United States and will be careful to avoid provoking Washington while large US forces are deployed in the region. Similarly, we believe the risk that the UN embargo could be applied to Iran has been an important factor limiting Iran's willingness to help Iraq evade sanctions. Iranian policy calculations regarding the crisis will continue to be affected by Tehran's perception of the potential US military reaction that unhelpful Iranian actions might prompt. [REDACTED]

Iran is unlikely to directly oppose a US-led military operation aimed at liberating Kuwait, although, to maintain its standing with militant Muslims, it probably would condemn US ground operations against Iraq proper as well as massive airstrikes near civilian or religious centers in Iraq. Iranian criticism would diminish if the forces opposing Saddam were placed under UN command or if the attack was authorized by the United Nations. The perceived unseemliness of fighting alongside US forces as well as the operational deficiencies of the Iranian armed forces almost certainly preclude direct Iranian participation in military operations against Iraq. If, however, it became apparent that Iraq was losing, Tehran might activate the Kurdish and dissident Iraqi irregulars it has been grooming. In the event that UN forces inflict casualties on Iraqi forces serious enough to require Baghdad to further weaken its defenses along the Iranian border, Tehran might be tempted to seize small pieces of Iraqi territory—such as the oil-rich Majnoon Islands—to force additional concessions from Baghdad and to ensure Tehran a seat at the final peace settlement. Iran's temptation would grow if it believed other countries intended to grab slices of Iraq. (S) (NF)

Although it seems most likely that Iran will at best passively support international efforts to force Iraq to withdraw from Kuwait, its policy is flexible. Iran will adapt its policy to its perception of the possible outcomes of the crisis. We believe that in most scenarios Rafsanjani will retain control of foreign policy and will continue to pursue to the best of his ability the goal of securing Iran's regional primacy. (S) (NF)

Saddam Is Ousted by UN Military Action or a Military Coup Prompted by UN Sanctions. Once Iraqi forces are out of Kuwait, Tehran is certain to agitate for a rapid withdrawal of US forces. Iran probably would initiate a diplomatic campaign among Islamic and Third World nations to support a US withdrawal, and it might refloat the suggestion that Western units be replaced with forces drawn exclusively from Islamic countries. If it believed US deployments to the region would be prolonged, Tehran might encourage anti-US demonstrations in the Gulf and other Muslim communities or even sponsor terrorist attacks. [REDACTED]

[REDACTED] Tehran would also mobilize its Shia clients in Iraq and Kuwait to demand a greater role in the postcrisis governments of Iraq and Kuwait. [REDACTED]

Saddam Withdraws From Kuwait, but His Political and Military Power Remains Intact. This outcome poses a dilemma for Iran. On the one hand, the immediate reason for the deployment of US forces will have been removed, and Iran logically should call for the rapid removal of US forces. On the other hand, Rafsanjani probably knows that the United States is the only force able to hold an angry Saddam in check. He will also worry that having lost in Kuwait, Saddam will revert to his former truculence toward Iran. [REDACTED]

1.5(2)(d)
1.6(4)(1)(6)

We believe the need to appear to be consistent with Islamic principles will force Tehran in this scenario to call for the withdrawal of US ground forces, although perhaps not too energetically. Iran would step up its efforts to cooperate with the Gulf Cooperation Council, Turkey, and Syria to try to contain Iraq. Tehran almost certainly would not admit it publicly, but it might countenance a continued small presence of West European troops in the region as a further deterrent to Iraqi aggression. [REDACTED]

One

~~Secret~~

facet of this cooperation almost certainly would take the form of renewed Iranian requests for Western military equipment. An Iranian newspaper has already called for France to resume military sales to Iran. At the same time, Iran might press the West and the Soviets to continue to embargo military sales to Iraq as an additional means of containing Saddam. (S NF, (C))

Protracted Stalemate or Western Containment of Iraq. Should Iraq appear to be weathering the UN embargo and Iran perceive the West to be unwilling to mount offensive operations to expel Saddam from Kuwait, Iran may more actively involve itself in the search for a political solution. In this instance, Iranian interests and policies would be similar to the scenario in which Saddam withdraws but remains in power. Perhaps calculating that even a negotiated withdrawal will weaken Saddam, and wanting to forestall an "Arab solution" that excludes Iran, Rafsanjani might begin to promote a peace plan to effect an Iraqi withdrawal.

[REDACTED]

(S NF, (C))

Iranian policy would follow much the same course of more active diplomacy if it believed the West had adopted a strategy of permanent containment of Iraq. In this case, Tehran would increasingly suspect that US intentions were to establish a permanent military foothold in the Gulf. Rafsanjani's domestic opponents might also challenge his handling of the crisis. As a consequence, Iran would be much more critical of US policy and probably would agitate for placing the multinational forces under direct UN command. Tehran probably would also push for at least a limited withdrawal of US—but not other Western—forces. (S NF)

Saddam Wins. Any resolution to the crisis that leaves Iraq in possession of Kuwait would seriously affect the thrust of Iranian policy. It would weaken Rafsanjani's

domestic standing—perhaps seriously—by vindicating those hardline Iranians who have argued for supporting Iraq since US forces deployed to Saudi Arabia. As soon as it became apparent that the Iraqi conquest was not likely to be reversed, Tehran probably would seek to retain Saddam's good will by more actively helping him evade sanctions. At the same time, Tehran almost certainly would accelerate efforts to rearm and would try to strengthen relations with Syria and Turkey to help protect it against aggression. To prevent a victorious Iraq from eclipsing Iran as the leader of Middle Eastern defiance of the West, Tehran probably would become more strident toward the West and would more aggressively support radical Islamic and Palestinian movements. If the stability of the Gulf Cooperation Council states is shaken by an Iraqi victory, Iran might increase support to the Shia movements in the Gulf as a means of maintaining its influence in the region. (S NF)

As time passes, the likelihood that Iran will align with Iraq is diminishing. The price Iran would pay with the West, the Gulf Cooperation Council, and international opinion in general probably would exceed the benefits Tehran may hope to obtain from Baghdad. We base this judgment on several assumptions:

- Pragmatic considerations of Iranian national interest have priority over ideological goals in Rafsanjani's policy calculations.
- Most Iranian leaders view a powerful and aggressive Saddam Husayn as a greater danger to Iran than to the United States.
- The Iranian leadership gives economic reconstruction a high priority and believes better relations with the West are necessary to achieve this goal.
- The Rafsanjani-Khamenei alliance remains strong and secure in its control of the government. (S NF)

Although unlikely, the Gulf crisis—which has produced some incongruous political alignments—could upset some or all of these assumptions. We cannot rule out a reversal of Iran's stance that leads it to tilt toward Iraq. Despite their deep enmity, Iran and Iraq share certain interests—such as opposition to the

1.5(c)(d)
1.6(d)(1)(6)



Figure 5. Khomeini and Khamenei see in the Gulf crisis many opportunities to maximize the benefits to Iran. (C-1)

access rights to Gulf states; a belief that the West was actively considering dismembering Iraq (Tehran fears Turkish irredentism toward northern Iraq); or a perceived pattern of accidental clashes between US and Iranian forces in the Gulf.

- *Tehran believes the United States is losing.* If military operations against Iraq became bogged down and/or the coalition against Saddam crumbled, Tehran might decide it was in its interest to side with the winner. (S-1F)

Just one of these events probably would not be sufficient to cause Tehran to reverse its current policy. Even so, we would not expect Iran to deploy its military alongside Iraq's or to engage in overt hostilities against the US-led coalition. Iran would be more likely to actively help Iraq to evade sanctions, including those on oil and other goods, which would both gain it good will with Baghdad and signal the United States that the embargo of Iraq will not succeed unless US policy is made more acceptable to Iran.

1.5(c)(d)
1.6(d)(1)(6)

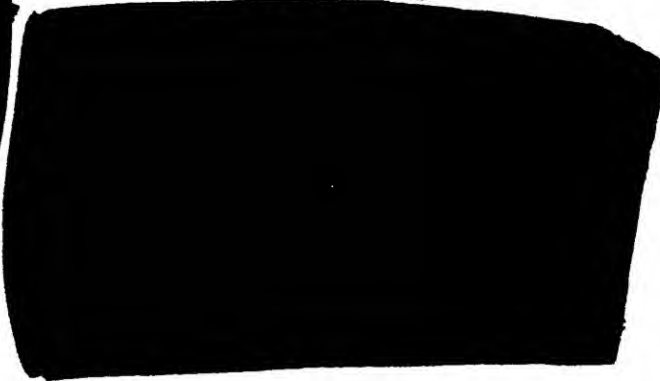
United States and Israel, disdain for Arab monarchies, and a desire for higher oil prices—that might provide a basis for cooperation. We believe several developments would have to occur to cause Iran to reassess its interests in this way:

- *Events of great emotional and ideological significance.*



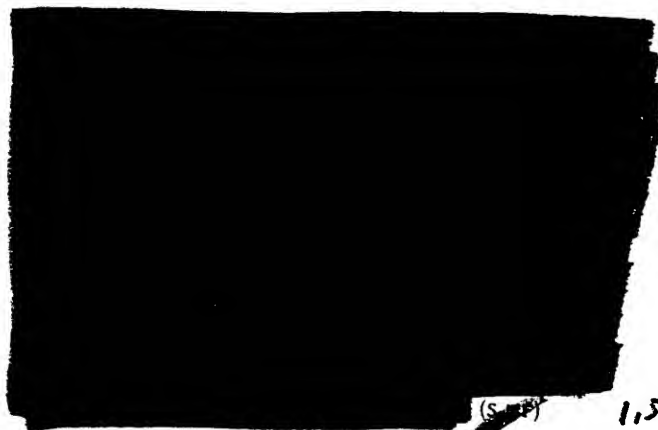
Such events might force Iranian leaders to emphasize ideological interests to protect their legitimacy as revolutionary Muslims.

- *Growing suspicion that US policy posed a greater danger to Iran than Iraqi adventurism.* Possible triggers might be a US diplomatic effort perceived in Tehran as aimed at creating a formal alliance in the Gulf excluding Iran or securing permanent





(S) (F)



(S) (F)

1.5(c)(d)
1.6(d)(i)(s)



~~Secret~~